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FEDERAL COMMUNICATIONS COMMISSION
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August 21, 2001

BY HAND DELIVERY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W., TW-A325
Washington, DC 20554

Re: *Comments of CenturyTel, Inc. on Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92*

Dear Ms. Salas:

Enclosed are an original and four copies of the Comments of CenturyTel, Inc. filed in the above-referenced docket.

Very truly yours,

Richard R. Cameron
of LATHAM & WATKINS

Enclosures

cc: Paul Moon
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Development of a Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	

COMMENTS OF CENTURYTEL, INC.

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August 21,2000

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COMMENTS OF CENTURYTEL, INC.

CenturyTel, Inc. ("CenturyTel"), through its attorneys, hereby offers the following comments on the above-captioned Notice of Proposed Rulemaking ("Notice") released April 27, 2001.[1]

I. Introduction and Summary

CenturyTel urges the Commission to investigate and understand the disparate adverse impact any comprehensive reform of inter-carrier compensation could have on rural and independent local exchange carriers (LECs) before taking any final action in this proceeding. Rural and independent LEC services, service territories, and network architectures all differ from those of larger carriers, and the Commission must separately evaluate the impact of inter-carrier compensation reform on these carriers in light of these differences. The Commission's Notice summarizes the harms that it believes the current system of inter-carrier compensation charges causes, but fails to acknowledge the weaknesses if two bill-and-keep proposals. CenturyTel urges the Commission to seek further comment on a more concrete set of proposals before modifying either the reciprocal compensation or interstate access rules. In particular, CenturyTel urges the Commission to explore the ramifications of its bill-and-keep proposals for end-users

1 *Development of a Unified Intercarrier Compensation Regime,* CC Docket No. 01-92, Notice of Proposed Rulemaking, FCC 01-132 (rel. **Apr.** 27, 2001) ("Notice").

rates, long-distance rates, intrastate access charges, investment in rural infrastructure, and interstate and intrastate universal service mechanisms.

For CenturyTel and other rural, independent LECs, the issues surrounding reform of interstate access charge mechanisms overwhelm and dominate those surrounding reciprocal compensation. CenturyTel paid a net of roughly $600,000 in reciprocal compensation in 2000, but it recovered approximately $200 million in costs of its local exchange network in IXC-paid interstate access charges during the same period. CenturyTel therefore wholeheartedly supports the Commission's determination not to "implement[] major changes to [its] access charge rules in the initial phase of this proceeding."[2] The Commission should proceed with caution, even with respect to reciprocal compensation for traffic subject to Section 251(b)(5) or 251(g), however, because it will almost certainly seek to harmonize its decisions concerning interstate access with any new rules it may adopt governing reciprocal compensation for transport and termination of local traffic.

CenturyTel specifically urges the Commission to (1) reaffirm its commitment to ensuring rural incumbent LECs a reasonable opportunity to recover all of their interstate-allocated costs, including a reasonable return on capital investment; (2) implement appropriate changes in its access charge rate structure, pricing regulations, and universal service mechanisms to enable non-price cap carriers to respond to changing market conditions; **(3)** establish appropriate transition mechanisms, particularly for non-price cap carriers, if the Commission adopts inter-carrier compensation reforms of any kind; and (4) adopt appropriate limitations on bill-and-keep compensation rules, to the extent that it finds such reforms beneficial at all.

2 Notice at para. 97.

II. Background

A. CenturyTel, Inc.

CenturyTel, headquartered in Monroe, Louisiana, is a leading provider of integrated communications services to rural markets. CenturyTel provides a variety of high-quality communications services to nearly three million customers in rural communities in 21 states, including local exchange and advanced services, wireless service, long distance, security monitoring, information services, and broadband and dial-up Internet access. CenturyTel has grown rapidly over the past several years, largely through purchases of rural exchanges from larger carriers.[3] Today, CenturyTel's rural telephone companies provide local exchange telephone service to over 1.8 million access lines, but approximately half of its exchanges have fewer than 1,000 access lines each. Very few of its exchanges have greater than 10,000 access lines. All of CenturyTel's operating companies meet the statutory definition of a "rural telephone company."[4]

B. The Commission's Bill-and-Keep Proposals

In the Notice, the Commission seeks comment on possible ways to resolve issues it believes are caused by the current systems of inter-carrier compensation, including (1) the danger that carriers will engage in "regulatory arbitrage," either by seeking out customers that primarily receive calls and charging above-cost reciprocal compensation rates as a means of reducing direct charges to these customers, or by taking advantage of differences between the rates different types of service providers pay for functionally equivalent origination or

[3] **See,** *e.g., CenturyTel of Central Wisconsin and GTE North Incorporated, CC* Docket No. **96-45,** Order, DA 00-1863 (Com. **Car.** Bur. Acct'g Pol. Div. rel. Aug 16, 2000).

[4] 47 **U.S.C.** § 153 (37).

termination services;' (2) avoiding terminating access monopolies, which may obligate the Commission to regulate termination rates for even non-dominant and otherwise deregulated carriers;[6] (3) asymmetrical termination costs on different networks, which are not recognized by Commission rules that require symmetrical reciprocal termination rates;[7] (4) traffic sensitive recovery of fixed network costs;[8] and (5) distortion of individual subscription decisions caused by inefficient interconnection pricing,[9]

The Commission, therefore, seeks comment on two theoretical constructs that it proposes as the basis for possible compensation systems. Both of these constructs, discussed in policy papers by Commission staff, would rely on "bill-and-keep" principles to reduce or eliminate inter-carrier compensation payments. One proposal, which the Commission calls "Central Office Bill-and-Keep'' or "COBAK," would be developed from two basic default rules: first, that no carrier would recover any costs of its customers' local access facilities from an interconnecting carrier; and second, that the calling party's network would be responsible for the cost of transporting the call to the called party's central office. COBAK would permit carriers to negotiate interconnection and inter-carrier compensation arrangements that departed from these rules. The two default rules would apply in the event the carriers were unable to agree on such alternative terms.

Under the first COBAK rule, in general, LECs would recover all of their local loop and central office switching costs from their own end-user subscribers. Under the second

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[5] Notice at paras. 11-12.
[6] *Zd.* at paras. 13-15.
[7] *Id.* at **para.** 16.
[8] *Id*. at para. 17.
[9] *Id.* at para. 18.

rule, a LEC would also need to recover from its own end users its transport costs to deliver a subscriber's call to the called party's central office. When its customer received a call, however, the originating carrier would bear the cost of delivering the inbound calls to the LEC's central office for termination. In the case of a call that traverses three networks, such as an interexchange call transported between two LECs by an interexchange carrier (IXC), COBAK would require the originating LEC to bear the cost of transporting the call to the IXC's point of presence (POP). The IXC, in turn would bear the cost of transporting the call from that point to the terminating carrier's central office.[10]

The Commission's other proposal, which it calls "Bill Access to Subscribers – Interconnection Cost Split," or "BASICS," also would proceed from two primary rules: first, that networks should recover all intra-network costs from their own end-user customers; and second, that the costs of transport and related facilities used to interconnect two networks are shared equally between the interconnecting network operators. Each network's costs of interconnection would be recovered from its end-user customers. Under both proposals, the costs of all facilities within a network required to handle calls between that network's own subscribers are recovered from that network's end-user customers.

[10] Patrick DeGraba, ***Bill** and Keep at the Central Office as the Efficient Interconnection **Regime,*** Working Paper No. **3,** OPP Working Paper Series (FCC Office of Plans and Policy, December 2000) *("COBAK Proposal"),* **at** para. *26*.

III. In Reforming Inter-carrier Compensation, the Commission Should Commit to "Do No Harm" to Rural America's Telecommunications Services

A. Unless the Commission First Modernizes its Regulation of Rural, Non-Price Cap Carriers, Bill-and-Keep Could Have Disastrous Consequences [Notice ¶¶ 31-65, 97-98]

As a compensation scheme for rural, non-price cap carriers to recover their costs of interstate access, either BASICS or COBAK would have devastating effects if adopted today. As discussed in greater detail below, for these carriers, interstate access charges today are not based solely on the costs of interconnection for originating or terminating interstate interexchange calls. Rather, in addition, these charges contain substantial amounts of implicit universal service support. The Commission must identify, isolate, and provide for alternate recovery of these amounts before the Commission can properly consider the most efficient means of recovering interconnection and interstate access costs.

In addition, both COBAK and BASICS create a real threat of rate shock, if adopted too quickly or without developing necessary interstate access universal service support mechanisms. These reform proposals, at bottom, shift large portions of the costs of the LEC local exchange networks from users of interexchange services, who pay these costs indirectly as part of their toll calling bills, to local exchange ratepayers directly. Either proposal would shift recovery of all loop costs, all central office costs, and substantial amounts of tandem switching, transport, and other costs onto end-user ratepayers that have not historically borne these costs. For CenturyTel alone, these bill-and-keep mechanisms would shift up to $200 million in additional costs of CenturyTel's local exchange network – more than $100 per customer per year – directly onto consumers of CenturyTel local exchange service.

As a result, even once universal service and other related issues have been resolved, rural customers face a real danger of rate shock if the Commission moves to implement bill-and-keep too quickly. Today, Section 254(g) requires IXCs to offer interexchange service at integrated rates that blunt the impact of higher costs (reflected in higher interstate access charges) in rural areas. If interstate access charges are to be eliminated, the Commission must understand fully the ramifications this change will have for rural rates and rural consumers.

Both the COBAK and BASICS proposals, as presently conceived, would create their own distinct incentives and opportunities for some carriers to game the interconnection process by shifting interconnection costs onto other carriers. Particularly under COBAK, which requires the originating carrier to bear all costs of delivering traffic it originates to the terminating carrier's central office or POP, larger carriers will have the ability to use their superior bargaining power to force small, rural, and independent LECs to bear a disproportionate share of the costs of interconnection.

Without adequate safeguards in place, large IXCs and other carriers could achieve this goal by, among other activities, establishing POPs and other points of interconnection that are great distances from the LEC's central office, refusing to accept LEC-originated traffic at nearby POPs, refusing to interconnect directly, instead requiring the LEC to route traffic through Bell operating company (BOC) tandems, and other actions. **As** a result, the Commission must reform and modernize its regulation of rural and non-price cap carriers before it adopts any bill-and-keep inter-carrier compensation mechanism.

In urban areas served by larger carriers, where ILECs, CLECs, IXCs, CMRS providers, and other carriers all have facilities in close proximity, the precise location of POPs and POIs may have only a *de minimis* impact on overall costs of interconnection. In rural areas served by independent carriers, however, where distances are great, points of interconnection are few, traffic volumes are low, and facilities are scarce, these costs may vary greatly based on the precise point and method used for traffic exchange. Rural LECs have small customer bases that are generally more expensive to serve than those of larger, more urban carriers. As a result, IXCs, which must adhere to the rate integration principles of Section 254(g), will put great pressure on rural and independent LECs to absorb these higher costs of access and interconnection. As these costs must ultimately be reflected in end-user rates, the Commission risks defeating the intent of Section 254(g), if not its terms, if it replaces the current access charge system with COBAK or another bill-and-keep mechanism, without also providing adequate safeguards for rural consumers.

BASICS provides fewer opportunities for large carriers with superior bargaining power to force rural LECs to bear a disproportionate share of interconnection costs than COBAK does because it requires the costs of interconnection to be divided equally between the interconnected carriers. Nevertheless, even under BASICS, rural LECs and, by extension, their end-user customers, will bear directly a far greater share of the costs of the network than they do today.

B. Any Fundamental Reform of Interstate Access Charges Should Take into Account the Unique Circumstances of Rural and Independent LECs [Notice ¶¶ 31-65, 97-98]

In the Notice, the Commission seeks comment on the appropriate policy goals for inter-carrier compensation regulations.[11] CenturyTel supports the Commission in its efforts to increase the efficiency of current inter-carrier compensation regimes, but urges the Commission

[11] Notice at **paras. 3** 1-36.

to recognize that rural and independent LECs face substantial regulatory and operational obstacles that must be taken into account in achieving this goal. In particular, the Commission should undertake a comprehensive examination of the impact of its bill-and-keep proposals as they relate to rural and rate-of-return carriers before adopting any comprehensive changes to the current interstate access charge system. In so doing, the Commission will find that a model that suits price cap carriers in densely-populated areas is not appropriate for rural and independent LECs.

CenturyTel agrees with the Commission's decision against "implementing major changes to [its] access charge rules in the initial phase of this proceeding."[12] As the Commission recognized in the Notice, "large ILECs, small ILECs, and CLECs are all at different stages of the access reform process."[13] While a "major change" to bill-and-keep would be premature at best, CenturyTel commends the Commission for recommitting itself to move forward with universal service and access charge reforms for non-CALLS carriers. Only once the Commission has undertaken this critically-needed reform and modernization of its rules will the time be ripe for a discussion of future transitions. CenturyTel submits, however, that this process will take at least the five-year time period suggested by the Commission (based on the duration of the CALLS Mechanism and proposed MAG reforms).[14]

Nevertheless, CenturyTel urges the Commission to proceed with caution and develop a clear understanding of the specific needs and circumstances of rural carriers before implementing bill-and-keep, even for local interconnection traffic. The decisions the Commission makes concerning inter-carrier compensation for local interconnection traffic will

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12 Notice at para. 97,

13 *Id.*

14 *Id.*

inevitably color the Commission's analysis of interstate access issues and may limit the range of options available once specific choices have been implemented. In particular, CenturyTel urges the Commission to recognize the many differences between rural, independent LECs and the larger carriers that serve the majority of the nation's access lines.

This "Rural Difference" has been well-documented by the Rural Task Force ("RTF") of the Federal-State Joint Board on Universal Service. In its White Paper, "The Rural Difference," the RTF identified differences in line densities, plant investment, customer characteristics, calling patterns, and other challenges unique to rural carriers. The RTF found that rural ILECs serve an average of 19 lines per square mile, roughly one-seventh the line density of non-rural carriers, which serve 128 lines per square mile.[15] As a result, rural carriers are able to serve fewer lines per local switch (1,254 lines vs. 7,188 lines), and must have greater gross plant investment per loop ($5,089 for rural carriers vs. $2,856 for non-rural).[16] In addition, residential customers, which generally produce less revenue than multiline business customers, comprise a larger percentage of the customer base of rural carriers (81.3 percent) then that of non-rural carriers (73.0 percent).[17]

Moreover, a greater share of rural carrier plant is allocated to the interstate jurisdiction, meaning that a move to any form of bill-and-keep for interstate access would have a greater impact on rural carriers than non-rural. Because of the remoteness of the areas in which they live, a relatively larger share of these customers' calls are interstate. On average, interstate minutes make up 21 percent of total minutes for rural carriers, vs. 16 percent for non-rural

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15 *The Rural Difference*, Rural Task Force White Paper No. 2, January 2000, at 33.
16 *Id.* at 47.
17 *Id.* at 37.

carriers.[18] Because investment and expense for many types of ILEC equipment are separated between the state and federal jurisdictions based on relative minutes of use, this difference means that a larger share of the costs of rural carrier plant is recovered through interstate access charges.

CenturyTel has experienced these differences firsthand. For example, CenturyTel's ILEC service territory has a customer base with only approximately 10 lines per square mile on average nationwide. As a result, CenturyTel uses substantially more telecommunications plant to serve each of its customers than larger carriers do. CenturyTel serves its customers using relatively long loops, and serves only, on average, about 2000 lines per exchange. Because of these network realities, CenturyTel has higher common line and per-customer central office costs than larger carriers. In addition, transport to other LEC central offices or tandem switches, IXC points of presence (POPs), **CMRS** carrier Mobile Telephone Switching Offices (MTSOs) or other network points is costly, and facilities are scarce. In Missouri and Arkansas alone, CenturyTel is leasing transport facilities costing approximately $5.4 million annually to connecting CenturyTel end offices with each other and with BOC facilities in adjacent territories.

Like other small and rural carriers, CenturyTel often interconnects with other carriers, including IXCs, CLECs, and CMRS carriers, using the tandem switching facilities of Bell operating companies (BOCs) adjacent to CenturyTel's service territory. IXCs generally establish POPs within the territory of adjacent BOCs and require CenturyTel to deliver interexchange traffic to distant BOC tandem switch locations. Because CenturyTel serves extremely rural areas across the nation, with low line densities and few large switches, IXCs and

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18 *Id.* at 41.

other carriers are often unable or unwilling to construct or acquire trunk facilities necessary to interconnect directly with CenturyTel. Even in Wisconsin, CenturyTel's largest state, with over 500,000 lines, the average CenturyTel wire center is over 40 miles from the nearest tandem switch; in many states, those distances are far greater.

C. The Commission Must Reform Interstate Access and Universal Service Mechanisms for Rural Carriers Before It Can Make Informed Decisions About Bill-and-Keep for Rate-of-Return Carriers [Notice ¶¶ 55, 58, 64, 109-111, 123,1271

Before the Commission moves to adopt a uniform bill-and-keep inter-carrier compensation mechanism, it must first understand the scope of the issues it is confronting. Any form of bill-and-keep, if implemented for rural carriers, must therefore be preceded **by** structural reforms to the current interstate access charge and universal service mechanisms, as well as additional pricing flexibility that will permit rural ILECs to respond to changing market conditions. Only in this way can the Commission preserve universal service in rural areas, foster investment in rural network infrastructure, and allow customers to take full advantage of developing competition.

The Commission should therefore focus on reducing its regulation of interstate access charges, not by prescribing bill-and-keep default rules, but by (1) identifying and rendering explicit large amounts of universal service support now implicit in interstate access charges; and (2) granting increased pricing flexibility to rural and rate-of-return ILECs so that they may align prices more closely with the varying costs for different areas and different access configurations.[19]

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[19] The Commission is currently examining these issues in the context of a reform proposal developed by the Multi-Association Group **("MAG").** *Multi-Association Group (MAG) Planfor Regulation of*

1. **Structural Reform is Critically Needed**

Before it can move to a bill-and-keep inter-carrier compensation structure of any kind, the Commission must conduct the type of comprehensive review of the interstate access rate structure and interstate access universal service issues facing rural, non-price cap carriers that it has already completed for price cap carriers. Only in such a proceeding can the Commission determine the relative portions of current access revenues that constitute: (1) costs of interstate access that can be supported by affordable and reasonably comparable rates; *(2)* costs of interstate access that must be supported by explicit universal service support to fulfill the statutory mandate of Section 254; and (3) implicit universal service support that must be converted to explicit.[20]

Key components of this process must include rate rebalancing to eliminate unnecessary disparities between residential and business customers by moving residential and business SLC caps to more reasonably comparable levels, deaveraging of rates into a reasonable

Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, et. al., CC Docket No. 00-256, Notice of Proposed Rulemaking, FCC 00-448 (rel. Jan. 5,2001).

[20] As an example, suppose that CenturyTel charges an averaged rate of $0.04 per minute for interstate access in a town that is part of an otherwise rural study area, while the actual cost of providing interstate access in that town is $0.02 per minute. The Commission might reasonably conclude that carriers or consumers can afford to pay the equivalent of $0.01 per minute (whether in a flat-rated or traffic-sensitive charge) consistent with the statutory principles of affordability and reasonable comparability. The Commission might therefore conclude that the remaining $0.01 per minute in interstate access costs should be supported by explicit universal service support. The remaining $0.02 per minute in CenturyTel's hypothetical rate may represent implicit support for interstate access costs in the more rural parts of the study area, where the actual costs of interstate access are, say, $0.08 per minute. The Commission must determine how much, if any, of this $0.02 can be borne directly by customers in those areas through deaveraged interstate access charges, and how much should be supported through the universal service fund. In neither case, however, does that revenue necessarily represent costs of interstate access or interconnection in the small town at issue. Yet, the revenue cannot simply be eliminated in a transition to bill-and-keep, nor can recovery be shifted to end-user charges or universal service mechanisms. without inquiry into the public interest ramifications of each possibility.

number of cost zones, and less usage-sensitive interstate charges, for example by creating uniform SLC caps nationwide at the levels established in the CALLS process.

Today, however, the Commission is no closer to untying the "Gordian knot of determining the appropriate level of interstate access charges and converting implicit subsidies in interstate access charges to explicit" today than it was in 1996.[21] The Commission has never conducted any comprehensive review of interstate access charges for rate-of-return carriers since it established the current system following the divestiture of the BOCs from AT&T, despite the 1996 Act's statutory command to do so.

The Notice also fails to address these issues squarely and in a comprehensive manner. Rather, in scattered places, the Commission seeks comment on isolated aspects of this core principle, including: (1) whether it can easily identify costs incremental to network "interconnection," and separate them from other network costs;[22] (2) whether it should apply any bill-and-keep structure it ultimately adopts to all types of LECs at the same time and in the same manner;[23] (3) how bill-and-keep could affect existing state policies;[24] and (4) what impact bill-and-keep could have on universal service and end-user prices." The Commission should thoroughly explore these issues before adopting any new system of compensation for interstate access.

It is clear, however, that the Commission cannot simply adopt a "ramp-down" or other transition mechanism to bill-and-keep without identifying and protecting interstate access

[21] *Access Charge Reform, et. al.*, **Sixth** Report and Order in CC Docket Nos. 96-262 and 94-1, Report and Order in CC Docket No. 99-249, and Eleventh Report and Order in **CC** Docket No. 96-45, FCC 00-193 (rel. May 31, 2000), at **para.** 26 ("*CALLS* ***Order")***.

[22] Notice at para. 57.

[23] Notice at para. 97.

[24] Notice at para. 122.

[25] Notice at para. 123.

revenues that do not reflect the costs of providing interstate access in the precise location at issue but, rather, reflect implicit universal service support. Interstate access revenues today represent a substantial source of the funds that CenturyTel uses to invest in rural network infrastructure necessary to bring high-quality telecommunications services to rural customers. This implicit support is the result of rate disparities between business and residential customers, significant traffic-sensitive recovery of fixed network costs, and geographic averaging of rates, not only across large study areas with diverse costs, but also nationwide because most rate-of-return carriers participate in the NECA common line pool and, often, a traffic-sensitive pool tariff as well. Support implicit in the pool settlement process complicates the interstate access picture and must be addressed in the context of any reform effort.

2. Pricing Flexibility Must Accompany Any Form of Bill-and-Keep

If the Commission adopts any form of bill-and-keep for rural, non-price cap carriers, it should also permit these carriers a measure of pricing flexibility for any remaining interstate access charges, including those imposed on end users. This pricing flexibility should be similar to that adopted for price cap carriers in the CALLS process. In order to reduce traffic-sensitive interstate access charges levied by price cap carriers to the levels specified in the CALLS Order, the Commission first identified $650 million in universal service support that was implicit in interstate access rates charged by those carriers and that needed to be made explicit.[26] In addition, the Commission reduced the disparity between business and residential subscriber line charges (SLCs) and permitted deaveraging of both SLCs and carrier-paid interstate access charges, further reducing the support implicit in interstate access. Finally, the Commission

[26] *CALLS Order* at **para.** 185.

granted price cap carriers substantial pricing flexibility -- some of it immediate and additional flexibility tied to competitive showings.

If the Commission were to adopt a bill-and-keep system of inter-carrier compensation, such pricing flexibility for recovery of interstate access costs would become even more important. Pricing flexibility of this type would permit interconnection cost differences were reflected in end-user rates. **As** a result, it would create incentives for both interconnecting parties to negotiate interconnection arrangements that minimize costs *to **the end user,*** rather than to themselves individually. Only with such flexibility can a rural LEC: (1) send correct market signals to its end-user customers; and ***(2)*** achieve some level of bargaining leverage over interconnecting carriers. If a rural ILEC's customer dials an interexchange call, the ILEC is not free to select a low-cost routing to deliver the call to its destination, but must deliver the call to the IXC that customer has preselected for his long-distance calls at whatever point of interconnection that carrier has designated. Today, the problem is addressed by interstate access charges that cause the IXC to pay for the specific facilities they use in obtaining access to its customer. Interconnection costs to an IXC vary directly with the cost of the interconnection facilities the IXC chooses: direct-trunked transport facilities, for example, have distance-sensitive rates, while tandem-switched transport rates are both time- and distance-sensitive. **An** IXC pays for tandem switching only if it elects to use the tandem switch. If the costs of these facilities are to be placed on the LEC's end-user customers, then the LEC must have pricing flexibility to reflect the differences in the costs of achieving interconnection in its interstate end-user charges.

If bill-and-keep were implemented without adequate pricing flexibility, however, the ILEC could be caught in a classic price squeeze. Different IXCs might choose different interconnection arrangements, some of which would doubtless impose higher costs on the ILEC than others. The ILEC, meanwhile, would not be able to price its services to reflect the higher costs of reaching that destination carrier on a customer-by-customer basis, leading the ILEC to be caught in a "price squeeze" that, in the absence of an adequate compensation mechanism, could threaten a host of rural services,

Pricing flexibility, therefore, would allow a rural carrier operating under bill-and-keep to send correct pricing signals to its customers that reflect the actual costs of providing the actual service (including the choice of IXC) that the customer has selected. Such pricing flexibility also would foster efficient interconnection arrangements between IXCs and rural LECs by counteracting some of the incentives that IXCs would face under bill-and-keep to shift costs of interconnection onto the LEC. If end-user pricing could be varied to reflect the costs of serving the customer, *based on his or her choice of IXC*, then IXCs and ILECs alike would have an incentive to minimize this aggregate cost.

For example, IXCs operating in rural areas might establish separate POPs for originating and terminating traffic. If an IXC has existing facilities nearby a CenturyTel central office, it may very well choose to establish a POP at that point, for its own use in delivering traffic to CenturyTel. However, in such situations, it often requires CenturyTel to continue to use a BOC tandem or other facilities to reach a distant POP at which the IXC is willing to receive CenturyTel-originated traffic.

This problem is particularly acute in rural areas where facilities are scarce, distances are great, and transport is expensive. In rural areas, IXCs may not have high capacity networks and may not even have fiber-optic trunks. An IXC that did not want to risk congestion on its own facilities, may decide that, although it is cost-effective to terminate traffic nearby the CenturyTel end office, it is not willing to receive traffic there because that traffic would take up valuable space on its rural trunk.

To the extent that the IXC's facilities may nevertheless represent the lowest-cost transport alternative, it would be inequitable under bill-and-keep to require the ILEC to construct wholly separate facilities to transport traffic bound for that IXC to a distant point, simply because the IXC sought to shift the costs of this additional capacity away from its own network. In this respect, CenturyTel shares the Commission's concern that bill-and-keep creates an incentive for carriers to locate central offices inefficiently.[27] Bill-and-keep creates the incentive generally for IXCs and CLECs alike to establish relatively few points at which they are willing to receive traffic from other carrier's networks.

Under the Commission's current access charge system, per-mile and per-minute transport charges are carefully crafted to cover the costs of reaching these POPs, no matter where they are located. However, in considering alternatives to the current interstate access charge system, the Commission should recognize that bill-and-keep may create additional incentives for IXCs to force rural ILECs to bear a disproportionately large share of the costs of interconnection through strategic use of "one-way" POPs and similar devices.

In addition, pricing flexibility will allow rural ILECs to provide accurate pricing signals to customers choosing between switched and special access arrangements under bill-and-keep. Today, while IXCs bear the costs of switched access (which costs are reflected in long-distance rates), customers that have sufficient traffic volumes may find it advantageous to

[27] Notice at para. 59.

purchase special access arrangements that reduce their traffic-sensitive costs of long-distance calling. Today, ILEC customers decide between switched and special access arrangements by evaluating the costs of equipment, facilities, and traffic transmitted using each alternative, and then by purchasing the elements of the lowest-cost option from the ILEC, CLEC, or IXC of its choice, as necessary.

The Commission's bill-and-keep proposal could cause radical shifts in **a** customer's incentives to choose between these options. In addition, a customer may not necessarily receive the correct price signals to choose the most efficient option. For example, under COBAK, all costs of network interconnection would be borne by the originating carrier Under such a scenario, a customer that originates a large amount of interexchange traffic may decide to use the ILEC's switched access arrangements, even though such an arrangement imposes greater costs on the ILEC than would special access, because those higher costs are not reflected in either the ILEC's local or long distance calling rates."

D. Jurisdictional Separations Reform Must Precede Bill-and-Keep [Notice ¶ 122]

In addition, jurisdictional separations reform is a critical prerequisite to the implementation of any bill-and-keep regime for inter-carrier compensation. Bill-and-keep once again brings to the fore the fundamental question of whether there is a continued need for a jurisdictional separations process. The Commission referred this question to the Joint Board in 1997, but has never received any detailed recommendation from the Joint Board. In 1997, the Commission stated:

[28] This assumes that the LEC is required by state or federal authorities to charge a uniform local rate and subscriber line charge to all similarly-situated multiline business customers.

> The most fundamental question in this proceeding is whether separations rules are still necessary during the transition from a regulated to a competitive marketplace. Specifically, we must determine whether the *Smith* doctrine is still applicable with the advent of competition or whether regulatory and market changes since that case was decided have so eroded the factual predicate of that decision that it is no longer pertinent. If there is still a need to allocate costs between jurisdictions, we must determine whether the Commission must prescribe the specific methodology for allocating costs, or whether the Commission could adopt a rule that would allow the carriers themselves to develop their own methods of separating costs under more relaxed regulatory supervision. In addition, we must determine whether companies regulated under federal price cap regulation should continue to perform jurisdictional separations.[29]

The Commission's current focus on bill-and-keep and other ways to shift more costs of interstate access into flat-rated charges that would be imposed on the end user call into question the continued need for strict jurisdictional separations rules more strongly than ever. If costs are to be placed on the end user, no matter to which jurisdiction they were initially assigned, then the detailed jurisdictional separations rules become largely superfluous. If state commissions adopt bill-and-keep rules that approximate whatever federal solution the Commission ultimately adopts, then detailed separations rules may become largely unnecessary.

E. The Commission Must Establish Longer Transition Periods for Independent Rate-of-Return and Rural ILECs to Avoid Rate Shock [Notice ¶¶ 97-98]

As a result of the network configuration, universal service, and jurisdictional separations issues outlined above, rural carriers today charge interstate access charges that, while reasonable, are several times the level of the corresponding rates charged by non-rural, price cap carriers under the CALLS rules. Today, regulatory reform and modernization of the inter-carrier compensation system for rate-of-return carriers are nearly five years behind the corresponding Commission efforts for their price cap counterparts, if measured from the date the Commission

29 .*Jurisdictional Separations Reform and Referral to the Federal-State Joint Board,* Notice of Proposed Rulemaking, 12 FCC Rcd 22120, para. 32 (1997).

launched its Access Charge Reform proceeding in December 1996,[30] and over ten years behind the price cap carriers if measured from the adoption of price caps in 1990.[31]

The Commission, therefore, must take two extra steps in implementing reforms for rate-of-return carriers: First, and foremost, it must ensure that it creates sufficient additional universal service support to guarantee affordable end-user rates that are reasonably comparable to those in urban areas even in the face of reduced or eliminated IXC contributions to local loop, switching, and transport costs. If these costs are left unrecovered, the Commission's inaction could have devastating consequences for rural telecommunications services, either by driving up (interstate or intrastate) end-user rates beyond affordable and reasonably comparable levels or, alternately, by denying rural ILECs resources necessary to invest in and upgrade rural facilities and services. In remote rural areas, access to reliable telecommunications services takes on especially vital importance, yet economic conditions are often relatively poor, making CenturyTel's customer base particularly sensitive to affordability concerns.[32]

Second, the Commission must provide for a transitional period that is long enough to avoid rate shock -- at least five years following its completion of the rate structure, universal service and separations reforms outlined above. This longer transition period will be necessary to implement any of the Commission's bill-and-keep proposals in rural areas. Interstate access costs for rural and independent ILECs are generally higher than those of their larger, price cap counterparts, for the geographic, demographic, and network configuration

[30] *Access Charge Reform*, Notice of Proposed Rulemaking, 11 FCC Rcd 21354 (1996).

[31] *Policy and Rules Concerning Rates for Dominant Carriers*, Second Report and Order, 5 FCC Rcd 6786 (1990).

[32] For example, **the** RTF found that 1990 average household income in areas served by rural carriers **was** ***$3*** 1,211, barely 80 percent of the corresponding non-rural figure of $38,983. *The Rural Difference* **at** 59.

reasons described above. **As** a result, rate shock concerns dictate that the Commission should establish a longer transition for rural and rate-of-return ILECs, commensurate with their greater reliance on inter-carrier access charges.

IV. Reciprocal Compensation Issues Raise Fundamentally Different Public Interest Issues from Interstate Access Charges

While the Commission proposes bill-and-keep principles as a way to harmonize its disparate compensation systems applicable to interstate access, local interconnection, and delivery of ISP-bound traffic, these three categories of traffic raise dramatically different legal, policy, universal service, and public interest concerns. **As** discussed above, the Commission has a great deal of work to do before considering any form of bill-and-keep as a replacement for current interstate access charges.

Inter-carrier compensation for local interconnection traffic would, in theory, be more susceptible to regulation under a bill-and-keep mechanism. Because reciprocal compensation arrangements under Sections 251(b)(5) and 251(g) have existed for a relatively short period of time, reciprocal compensation today constitutes a small fraction of most rural carriers' revenues. Rural carriers, in general, are not dependent on reciprocal compensation as a significant source of revenue. In addition, CenturyTel's reciprocal compensation arrangements do not contain the implicit subsidies that are included in interstate access charges.

Yet, CenturyTel questions the wisdom of mandating bill-and-keep for local interconnection. In 1996, the Commission wisely established only minimum regulatory constraints on the negotiation of inter-carrier compensation arrangements for local interconnection traffic. Since that time, the Commission has steadily increased its regulation of local reciprocal compensation arrangements.[33] CenturyTel calls the Commission's attention the fact that nothing in its current rules prevents ILECs and CLECs, **CMRS** carriers, other ILECs, or paging carriers from adopting any variation of the Commission's COBAK or BASICS proposals. CenturyTel suggests that the Commission continue to allow the market to function.

A. The Commission Should Not Increase Regulation of Local Interconnection [Notice ¶¶ 66-96]

The Commission should let market forces continue to govern inter-carrier compensation for local interconnection, and should not continue to increase regulation of local interconnection arrangements as it proposes in the Notice. In this respect, the Notice erroneously seems to equate federally-mandated bill-and-keep with reduced regulatory intervention in the market.[34] Reciprocal compensation for local interconnection traffic today, however, is largely governed by market forces that drive negotiated carrier interconnection agreements. The Commission should recognize that, in situations where market forces dictate, carriers are free to adopt bill-and-keep arrangements for local interconnection traffic under the Commission's current rules. The fact that interconnection agreements do not universally reflect bill-and-keep compensation arrangements, however, demonstrates that the market will not universally produce the result the Commission seeks to establish under its default rules.

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33 *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, et. al,* CC Docket No. 96-98, Order on Remand and Report and Order, FCC 01-131 (rel. Apr. 27,2001) *"ISP Reciprocal Compensation Remand Order"); TSR Wireless, LLC v. U S WEST Communications, Inc*, Memorandum Opinion and Order, 15 FCC Rcd 11166 (2000); Letter from Thomas J. Sugrue, Chief, Wireless Telecommunications Bureau, and Dorothy T. Attwood, Chief, Common Carrier Bureau, to Charles McKee, Senior Attorney, Sprint PCS (May 9,2001); Letter from A. Richard Metzger, Jr., Chief, Common Carrier Bureau to Keith Davis, Southwestern Bell Telephone, DA 97-2726 (Dec. 30, 1997); Letter from Regina **M.** Keeney, Chief, Common Carrier Bureau to Cathleen A. Massey, AT&T Wireless Services, Inc. (Mar. 3, 1997).

34 In the Notice, for example, the Commission seeks comment on the extent to which its bill-and-keep proposals require regulatory intervention, Notice at para. **34,** and the degree to which both the

Ironically, in establishing default rules and rates for local interconnection, both BASICS and COBAK would intervene in the local interconnection market to a far greater degree than the Commission's reciprocal compensation rules originally did in 1996. While both BASICS and COBAK propose only two default "rules" for inter-carrier compensation, and state that even those rules are "default" conditions in the absence of carrier agreement to the contrary, these rules represent far greater constraints on the local inter-carrier compensation market than have historically existed. In fact, in establishing bill-and-keep rules, the Commission proposes no regulatory retreat from the substantial *increase* in regulatory market intervention that the Commission established in the *ISP Reciprocal Compensation Remand Order*. The Commission's actions in that proceeding – establishing declining rate benchmarks for largely all local interconnection traffic – are indistinguishable from the Commission's current proposal. In the Notice, the Commission simply proposes to complete the process by establishing a default rate of $0.00 for virtually all interconnection costs.

Much as the Commission sees little reason to disturb the market-based peering and transiting arrangements that Internet backbone providers have established,[35] CenturyTel questions whether there is a compelling need for the Commission to disturb reciprocal compensation arrangements that are equally the product of free-market negotiations among carriers. Rather, the Commission should continue to permit LECs to negotiate local interconnection compensation arrangements with a minimum of regulatory intervention by declining to adopt default rules that would produce bill-and-keep or any other particular outcome.

COBAK and **BASICS** proposals reduces the need for regulators to intervene in the market, Notice at **paras.** *56-57.*

[35] Notice at para. 127.

B. Bill-and-Keep Can Only Work in Limited Circumstances [Notice ¶¶ 37-65, 112-1141

In the Notice, the Commission begins a reexamination of its long-standing conclusion that bill-and-keep inter-carrier compensations arrangements are only efficient only if there are no traffic-sensitive costs of termination, or if originating and terminating traffic levels exchanged between two networks are approximately balanced.[36] These conclusions remain valid today, and bill-and-keep, therefore, has limited utility as a mandatory form of inter-carrier compensation.

If the Commission does mandate bill-and-keep for the transport and termination of local traffic, however, three limitations should be applied in the absence of a negotiated agreement to the contrary. ***First,*** the Commission should limit the use of bill-and-keep to situations in which traffic levels exchanged between the networks are relatively balanced. *Second,* the Commission should confirm that a carrier must accept all originating traffic bound for its own network at any point at which it seeks to deliver terminating traffic from its own network. This will minimize the ability of carriers to artificially "imbalance" their traffic by mimicking one-way networks through the use of "one-way" POPs or other POIs. ***Third,*** the Commission should require carriers to share the costs of interconnecting their networks. This will create joint incentives to minimize the costs of interconnection, and reduce the Commission's need to oversee network design issues.

1. Balanced Traffic Is an Essential Prerequisite to Bill-and-Keep.

In the context of reciprocal compensation for transport and termination of local traffic, the Commission has concluded in the past that, because carriers "incur costs in

[36] Notice at paras. 42-57.

terminating traffic that are not *de minimis* . . . , bill and keep arrangements that lack any provisions for compensation do not provide for recovery of costs."[37] In the *Local Competition* ***Order,*** the Commission concluded that bill-and-keep in such circumstances would be efficient only if "neither party has rebutted the presumption of symmetrical [reciprocal compensation] rates and if the volume of terminating traffic that originates on one network is approximately equal to the volume of terminating traffic flowing in the opposite direction."[38]

Not only traffic volumes, but also traffic routing patterns need to be assessed. Bill-and-keep may have adverse unintended consequences if imposed while there is an imbalance in facilities between connecting carriers. For rural carriers, especially, the traffic-sensitive costs of termination can be substantial. Local inter-carrier traffic on CenturyTel's networks primarily travels on shared transport trunks because this traffic seldom reaches levels that make it efficient to establish trunking facilities dedicated to the exclusive use of one carrier. In addition, as discussed above, much of the local inter-carrier traffic originating or terminating on CenturyTel's networks transits the tandem switching facilities of a larger carrier. Under these circumstances, no bill-and-keep mechanism can fully compensate CenturyTel or any other rural carrier for transport and termination costs absent substantial increases in end-user rates or universal service support.

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37 *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996,* First Report and Order, 11 FCC Rcd 15499, 16055 (1996) (subsequent history omitted).

3X *Id.* at 16054. Symmetry of reciprocal compensation rates under the Commission's rules is presumed absent a cost showing by a CLEC that its forward looking economic costs of transport and termination exceed those of the ILEC. *Id.* at 16042.

In addition, much like the current systems of inter-carrier compensation, bill-and-keep creates its own set of incentives and arbitrage opportunities that the Commission must recognize and address in the context of any bill-and-keep system it ultimately adopts. First, under bill-and-keep, carriers would have an incentive to design their networks intentionally to shift costs to other carriers with whom they interconnect. Secondly, bill-and-keep creates incentives for carriers to serve customers that impose the fewest costs.

The Commission's analogy to peering arrangements reinforces the Commission's original finding that bill-and-keep is most successful in situations where traffic exchange levels are balanced and the two carriers have similar cost structures and similar network configurations. **As** the Commission's Office of Plans and Policy has explained, peering is only one of two primary forms of Internet backbone interconnection arrangements.[39] As Kende explains, in *Connecting* ***Internet*** *Backbones,* "[a]s long as [Internet backbones] **A** and B are relatively equally sized, there is a strong incentive to cooperate with one another in spite of competitive network externalities; if either unilaterally stops interconnecting, it has no guarantees that it will benefit from such an action."[40] Today, with peering far less widespread than it formerly was, Kende cites numerous examples of large Internet backbones that recently have terminated or attempted to terminate peering arrangements with smaller Internet backbones.[41] These large providers, in effect, have adopted a system of asymmetrical interconnection charges known as "transiting" charges

[39] Michael Kende, *The Digital Handshake: Connecting Internet Backbones,* OPP Working Paper No. 32, Office of Plans and Policy, Federal Communications Commission (Sept. 2000), at 15-17 *("Connecting Internet Backbones").*

[40] *Zd.* at **16,**

[41] *Id.*

Transiting charges – the equivalent of asymmetrical reciprocal compensation charges in the circuit-switched local interconnection context – have arisen as a result of competitive market conditions for packet-switched interconnection. This market-based solution, which Kende argues does not represent a market failure, a constraint on the growth of smaller backbones, or an abuse of market power, is precisely the result the Commission's existing inter-carrier compensation rules – and its bill-and-keep proposals – would prohibit.[42]

The COBAK Proposal creates incentives that are particularly difficult for rural carriers to accommodate. Under the COBAK Proposal, the calling party's network is responsible for the cost of transporting calls between the calling party's central office and the called party's central office.[43] While the COBAK Proposal purports to be "a default interconnection regime which would apply only if two interconnecting carriers are unable to reach a negotiated agreement on the terms of interconnection," De Graba nevertheless concludes that, "the default rules, to a large extent, will determine the outcome of negotiation."[44]

De Graba incorrectly hypothesizes, however, that this "negotiated outcome" will "often create[] incentives for interconnecting networks to establish a meet point between their two networks and to exchange traffic within a specific geographic area on a bill-and-keep basis at that point."[45] In fact, COBAK would produce this result only if the levels of traffic flowing between the two networks were roughly balanced, the cost structures of each carrier were similar, and available facilities were plentiful. These conditions are seldom present in rural areas.

42 *Id.* at 22.

43 *COBAK Proposal* at para. 5.

44 *COBAK Proposal* at paras. 29-30.

45 *Id.*

The COBAK Proposal itself recognizes that, "where one of the networks exclusively (or primarily) receives traffic, COBAK may not result in a negotiated bill-and-keep arrangement . . . . [B]ecause the one-way network will not be delivering traffic, it will not need to build its own transport facilities under the default rule, and therefore will have no incentive to share the cost of a meet-point arrangement."[46] The COBAK Proposal goes on to conclude that, carriers "will have an incentive to agree to a shared facility whose cost would be split in some way between the two carriers" as long as "both networks originate some traffic and . . . it is cheaper to build a single shared transport facility than two separate transport facilities."[47]

Bill-and-keep, therefore, does not solve the ISP reciprocal compensation problem, the "one-way" networks problem, or create universal incentives to construct efficient interconnection facilities. Indeed, COBAK creates a disincentive to construct facilities of any sort; in favor of creative shifting of facilities costs onto other carriers. Bill-and-keep creates incentives generally for a carrier to seek a position where it will predictably receive an imbalanced traffic flow, because that carrier can then locate its facilities to minimize its own costs. CLECs will continue to have an incentive to serve ISPs under a COBAK bill-and-keep model. Because ISPs primarily or exclusively receive traffic at a fixed location, a CLEC can purchase unbundled loops and switching at a nearby ILEC switch, designate that location as its own central office, and impose on all other carriers the costs of delivering the traffic to it. Meanwhile, the CLEC incurs no other network costs in serving the ISP, because the ISP originates no calls that must be transported to distant central offices, points of interconnection (POIs), or IXC POPs. As a result, the CLEC can engage in arbitrage between the ILEC's

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46 *COBAK Proposal* at para. 74.
47 *COBAK Proposal* at para. 30, n.36.

multiline business rate (which reflects the cost of serving a average multiline business with balanced traffic, plus implicit subsidies for residential and high-cost customers) and the actual costs an ISP imposes, which largely exclude any transport costs that otherwise must be recovered through end-user rates. By requiring interconnecting carriers to share the cost of interconnection, the BASICS proposal may eliminate some of these incentives, but the distinction between "interconnection" and "network" costs is not yet sufficiently defined for CenturyTel to evaluate.

COBAK also fails to solve the "one-way" networks problem. The COBAK Proposal itself candidly states that, "COBAK will not completely eliminate the incentive of a business that primarily receives calls to claim to be a network. Specifically, because COBAK requires the calling party's network to deliver the call to the local central office (or switch) of the called party, a business that primarily receives calls may still claim to be a network so that the calling parties' LECs will have to transport calls without charge to the business's switch."[48]

2. Networks Must *Exchange* Traffic at the Point of Interconnection

If the Commission moves to a bill-and-keep system for local interconnection charges, it should also mandate that a carrier must accept all originating traffic bound for its own network at any point at which it seeks to deliver terminating traffic from its own network. This will minimize the ability of carriers to artificially "imbalance" their traffic by mimicking one-way networks through the use of "one-way" POPs or POIs. Under a bill-and-keep system, such one-way interconnection points reduce the efficiency of the inter-carrier compensation system by artificially preventing carriers from transporting traffic in rural areas using the lowest-cost facilities.

[48] *COBAK Proposal* at para 83.

Under a bill-and-keep arrangement, and especially under COBAK, interconnecting carriers will face added incentives to design their networks so as to shift costs of interconnection onto local exchange carriers. In the local interconnection context, Section 251 and the Commission's rules grant CLECs the right to interconnect with the ILEC's network "at any technically feasible point within the [ILEC's] network."[49] It is unclear whether the Commission's rules or orders would prevent a CLEC, to the extent it believed it to be cost-advantageous to do so, from establishing a different point of interconnection (POI) for the delivery of CLEC-originated traffic to the ILEC from the one it uses for receipt of ILEC-originated traffic.

This problem is particularly acute in rural areas where facilities are scarce, distances are great, and transport is expensive. In rural areas, CLECs may not have high capacity networks and may not even have fiber-optic trunks. A CLEC that did not want to risk congestion on its own facilities, may decide that, although it is cost-effective to terminate traffic nearby the CenturyTel end office, it is not willing to receive traffic there because that traffic would take up valuable space on its rural trunk.

3. Carriers Must Share the Costs of Interconnection

The Commission seeks comment on alternative approaches to transport costs.[50] In order to mitigate the problems identified above, CenturyTel urges the Commission to require carriers to share the costs of interconnection. In doing so, the Commission will relieve pressure that bill-and-keep will otherwise place on rural rates and rural universal service, and encourage the development of efficient and low-cost interconnection facilities.

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[49] 47 U.S.C. § 251(c)(2)(B); *see also* 47 C.F.R. § 51.305.

[50] Notice at para. 46.

As discussed above, in rural areas, where facilities are expensive and scarce, the Commission cannot assume that carriers will willingly share costs or facilities by establishing meet-point billing arrangements, or even by agreeing to establish two-way interconnection points. By requiring the carriers to share the costs of interconnection, the Commission will create direct incentives for both carriers to collaborate on the development of interconnection facilities that minimize the costs of interconnection to both parties. As a result, CenturyTel agrees with Atkinson and Barnekov that the BASICS Proposal may be more efficient and competitively neutral than the COBAK Proposal, depending on how it is implemented. BASICS eliminates more opportunities for carriers to game the interconnection system through strategically locating facilities that, while minimizing costs for the one carrier, dramatically inflates them for another, because both parties must share both the savings that result from efficient interconnection and the additional costs of inefficient interconnection. In order to be implemented, however, the point at which a carrier's network ends and interconnection begins needs to be better defined. In so doing, the Commission should consider the potential arbitrage opportunities described above.

V. Conclusion

For the foregoing reasons, CenturyTel recommends that the Commission proceed with caution as it begins to explore whether and how to harmonize current systems of inter-carrier compensation. As it does so, CenturyTel recommends that the Commission reaffirm its commitment to ensuring that rural incumbent LECs have a reasonable opportunity to recover all of their interstate-allocated costs, including a reasonable return on capital investment. In addition, the Commission should first focus on implementing appropriate changes in its access charge rate structure, pricing regulations, and universal service mechanisms to enable non-price cap carriers to respond to changing market conditions. If the Commission adopts inter-carrier compensation reforms of any kind, it should include appropriate transition mechanisms, particularly for non-price cap carriers, and, if it moves to any variant of bill-and-keep, it should also impose appropriate limitations on this form of inter-carrier compensation.

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